

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EA-10 IO-13 ISO-00 OIC-02

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00

SIL-01 STR-05 TRSE-00 CEA-01 SS-15 EUR-12 NEA-10

PA-01 PRS-01 /132 W

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FM USMISSION GENEVA

TO SECSTATE WASHSC 1133

INFO ALL UNCTAD SUGAR NEGOTIATIONS POSTS

AMEMBASSY BRIDGETOWN

AMCONSUL BELIZE

AMCONSUL DURBAN

USINT HAVANA

AMEMBASSY MAPUTO

AMEMBASSY MBABANE

AMEMBASSY PARAMARIBO

AMEMBASSY PORT LOUIS

AMEMBASSY SUVA

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EO 11652: N/A

TAGS: EAGR, ETRD

SUBJ: UNCTAD SUGAR CONFERENCE - OPENING DAYS

1. SUMMARY: AFTER INITIAL FALSE START CAUSED BY UNHELPFUL PROPOSALS MADE BY CONFERENCE CHAIRMAN JONES-PARRY, UNCTAD SUGAR CONFERENCE HAS PROCEEDED TO CONSIDERATION OF THE ISSUES. TOP THREE EXPORTERS ARE MEETING TOGETHER TO DISCUSS EXPORT QUOTAS, AND CONSIDERATION OF US FINANCING PROPOSALS IS PROCEEDING RELATIVELY SMOOTHLY. END SUMMARY.

2. SECOND FORMAL SESSION OF UNCTAD SUGAR CONFERENCE BEGAN SEPTEMBER 12 ON RATHER UNCERTAIN BASIS. CHAIRMAN JONES-PARRY
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PROPOSED QUOTA MECHANISM FOR AN INTERNATIONAL SUGAR AGREEMENT (ISA) WHICH WAS DIFFERENT FROM BASIS EXPECTED AND FAVORED BY MANY CONFERENCE PARTICIPANTS AND WHICH CONTAINED A QUOTA ALLOCATION SCHEME WHICH IN EYES OF MANY PRODUCERS STRAYED FROM OBJECTIVE REALITY. BOTH THE LACK OF SIGNIFICANT EXPORT CUTBACKS AND THE COUNTRY ALLOCATIONS DREW FIRE FROM PARTICIPANTS.

3. SINCE JONES-PARRY'S INITIAL PRESENTATION, HOWEVER, CONFERENCE APPEARS TO HAVE RIGHTED ITSELF AND EVIDENT DESIRE OF MANY IMPORTERS AND EXPORTERS FOR AN EFFECTIVE ISA BEGINNING TO SHOW THROUGH IN FOLLOWING AREAS:

A) THREE MAJOR EXPORTERS OF SUGAR--BRAZIL, AUSTRALIA AND CUBA HAVE BEGUN MEETINGS AMONG THEMSELVES AIMED AT SETTling TOP THREE QUOTAS. THERE APPEARS TO BE FLEXIBILITY ON BRAZILIAN QUOTA POSITION. WHETHER CUBANS WILL BE WILLING SACRIFICE INITIAL VERY FAVORABLE POSITION GIVEN THEM BY JONES-PARRY IS KEY QUESTION. THERE APPEARS TO BE RELUCTANT ACCEPTANCE AMONG SOME SMALLER EXPORTERS THAT THEIR QUOTAS MAY NOT BE INTOLERABLE. ACCORDING TO JONES-PARRY, THAILAND AND PHILIPPINES ARE AMONG THOSE THAT APPEAR WILLING TO ACCEPT CONFERENCE CHAIRMAN'S QUOTAS ALLOTMENT FOR THEIR COUNTRY. OTHERS SUCH AS DOMINICAN REPUBLIC HAVE NOT YET ACCEDED. JONES-PARRY, HOWEVER, CONTINUES TO RECEIVE STEADY STREAM OF EXPORTERS PRESSING CLAIMS FOR HIGHER QUOTAS.

B) US STOCK FINANCING PROPOSALS HAVE ENCOUNTERED NO INTRACTABLE OPPOSITION. DEBATE HAS FOCUSSED ON ISSUE OF WHETHER EXPORTER STOCKING COSTS WOULD BE COVERED BY LOAN OR GRANT. FIRM US POSITION THAT GRANT WAS OUT OF QUESTION HAS DIFFUSED MANY DEVELOPING COUNTRY PROTESTS. DEVELOPING COUNTRIES SUCH AS INDIA STILL PRESSING FOR LOWER FEE PAYMENTS INTO ISA STABILIZATION FUND; HOWEVER, SINCE NEARLY 80PERCENT OF WORLD SUGAR EXPORTED BY DEVELOPING COUNTRIES, MATHEMATICS APPEAR TO BE AGAINST SIGNIFICANT DIFFERENTIAL. THERE LIMITED OFFICIAL USE

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HAS ALSO BEEN GENERAL ACCEPTANCE OF TOTAL STOCK FIGURE OF 2.5 MILLION TONS BY EXPORTERS.

4. TWO DELEGATIONS, EC AND JAPAN, HAVE BEEN NOTABLY SILENT IN OPENING DAYS OF CONFERENCE. EC HAS MADE NO SUBSTANTIVE COMMENTS AT ALL: JAPAN HAS INTERVENED LARGELY TO STRESS THAT ITS ATTENDING CONFERENCE DOES MT IMPLY COMMITMENT TO ACCEPT RESULTS.

5. MAJOR DISAPPOINTMENT THUS FAR, OTHER THAN CONFERENCE CHAIRMAN'S UNHELPFUL OPENING PROPOSAL, HAS BEEN INDICATION THAT BRAZIL AND OTHER EXPORTERS MAY WISH TO REOPEN ISSUE OF PRICE RANGE WHICH US HOPED HAD BEEN AGREED AT 11-21 CENTS AFTER LONDON CONFERENCE.

6. COMMENT: SUGAR CONFERENCE IN EARLY STAGES OF THIS SESSION HAS BEEN CHARACTERIZED BY JOCKEYING FOR POSITION. EXPORT QUOTA ISSUE AMONG TOP THREE IS MOST IMPORTANT ISSUE BEING CONSIDERED AT PRESENT, WHILE MOST OTHER EXPORTERS PRESSING THEIR CASES BUT WAITING FOR OUTCOME AMONG THREE BIGGEST. REST OF COUNTRIES GENERALLY MARKING TIME CONSIDERING STOCK FINANCING PROPOSALS. VANDEN HEUVEL

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